

Hearing Date: April 25, 2019
Hearing Time: 11:30 a.m.
Hearing Place: Syracuse, NY
Objection Deadline: April 18, 2019

UNITED STATES BANKRUPTCY COURT
NORTHERN DISTRICT OF NEW YORK

In re:

CENTERSTONE LINEN SERVICES, LLC,
ATLAS HEALTH CARE LINEN SERVICES CO., LLC,
ALLIANCE LAUNDRY & TEXTILE SERVICE, LLC,
ALLIANCE LAUNDRY AND TEXTILE SERVICE OF
ATLANTA, LLC, and
ALLIANCE LTS WINCHESTER, LLC
*d/b/a Clarus Linen Systems*¹,
Debtors.

)
)
) Case Nos.
) 18-31754 (Main Case)
) 18-31753
) 18-31755
) 18-31756
)
) 18-31757
)
) Chapter 11 Cases
) Jointly Administered
)

**MOTION BY DEBTORS CENTERSTONE LINEN SERVICES, LLC
D/B/A CLARUS LINEN SYSTEMS AND ATLAS HEALTH CARE LINEN
SERVICES CO., LLC D/B/A CLARUS LINEN SYSTEMS TO EXTEND THEIR
TIME TO ASSUME OR REJECT NON-RESIDENTIAL REAL PROPERTY LEASE**

Debtors Centerstone Linen Services, LLC d/b/a Clarus Linen Systems and Atlas Health Care Linen Services Co., LLC d/b/a Clarus Linen Systems, debtors in the above-captioned chapter 11 cases (collectively, the “Debtors”), hereby move for an order, pursuant to section 365(d)(4)(B) of title 11 of the United States Code , §§ 101, *et seq.*, as amended (the “Bankruptcy Code”), extending for 90 days (through and including July 17, 2019) the period within which the Debtors may assume, assume and assign, or reject an unexpired lease of non-residential real

¹ The debtors in these chapter 11 cases, along with the last four digits of each debtor’s federal tax identification number, are: Centerstone Linen Services, LLC d/b/a Clarus Linen Systems (5594) (“Centerstone”); Atlas Health Care Linen Services Co., LLC d/b/a Clarus Linen Systems (2681) (“Atlas”); Alliance Laundry & Textile Service, LLC d/b/a Clarus Linen Systems (8284) (“Alliance”); Alliance Laundry and Textile Service of Atlanta, LLC d/b/a Clarus Linen Systems (4065) (“Atlanta”); and Alliance LTS Winchester, LLC d/b/a Clarus Linen Systems (0892) (“Winchester”).

property with lessor 60 Grider LLC (“60 Grider”) for premises located at 60 Grider Street, Buffalo, New York 14215. In support of this Motion, the Debtors respectfully represent as follows:

JURISDICTION

1. This Court has jurisdiction over this Motion pursuant to 28 U.S.C. §§ 157 and 1334. This matter is a core proceeding pursuant to 28 U.S.C. § 157(b)(2). Venue of these chapter 11 cases and this Motion is proper pursuant to 28 U.S.C. §§ 1408 and 1409. Sections 105(a) and 365(d)(4) of the Bankruptcy Code provide the statutory bases for the relief sought herein.

BACKGROUND

2. On December 19, 2018 (the “Petition Date”), Centerstone, Atlas and their affiliates, Alliance Laundry & Textile Service, LLC, d/b/a Clarus Linen Systems, Alliance Laundry and Textile Service of Atlanta, LLC d/b/a Clarus Linen Systems and Alliance LTS Winchester, LLC d/b/a Clarus Linen Systems filed separate, voluntary petitions for relief under chapter 11 of the Bankruptcy Code with the Court, commencing chapter 11 cases (the “Chapter 11 Cases”). The Debtors remain in possession of their respective assets and continue to operate their businesses as debtors in possession pursuant to sections 1107(a) and 1108 of the Bankruptcy Code. No request for the appointment of a trustee or examiner has been made in the Chapter 11 Cases.

3. On December 20, 2018, the Court entered Orders directing the joint administration of the Chapter 11 Cases pursuant to Rule 1015(b) of the Bankruptcy Rules.

4. On January 10, 2019, the Office of United States Trustee appointed an Official Committee of Unsecured Creditors (the “Committee”) pursuant to 11 U.S.C. §§ 1102(a) and (b) in the Chapter 11 Cases.

5. Centerstone is a closely-held Delaware limited liability company with a principal office and place of business located at 60 Grider Street, Buffalo, New York 14215. It is the corporate parent of four subsidiary corporations: Atlas, Alliance, Atlanta and Winchester. Centerstone provides back-office and administrative support for its subsidiaries.

6. Atlas is a Delaware limited liability company that currently operates two linen rental and commercial laundry facilities at the following locations: (i) 414 Taylor Street, Syracuse, New York 13202 and (ii) 60 Grider Street, Buffalo, New York 14215.

7. Pursuant to a Lease dated June 26, 2006 (the “Original Lease”) by and between Sodexho, Inc. (“Sodexho”), as lessee and 60 Grider, as lessor, Sodexho was the tenant of certain commercial property (as described below) used in the operation of its commercial laundry business. The Original Lease was later assigned by Sodexho to the Debtors. On April 1, 2013, the Debtors and 60 Grider entered into a Renewal Lease Terms and Conditions (the “Renewal Lease”) which incorporated the terms of the Original Lease and pursuant to which the Debtors currently occupy the following commercial property to operate the Atlas laundry facility (the “Premises”):

Premises Location	Name of Lessor	Date of Renewal Lease	Renewal Lease Period
One Wright Place 60 Grider Street Buffalo, NY 14215	60 Grider LLC 188 Bidwell Parkway Buffalo, NY 14222	April 1, 2013	117 months (expires December 31, 2023)

8. The monthly base rent under the Renewal Lease for the first four months was \$32,500.00 and the monthly base rent for the remaining 113 months is \$45,000.00. In addition

to paying the base rent, the Debtors are responsible for any and all real estate taxes and assessments, water rents, sewer and other municipal charges, property insurance, utilities, grounds and common area maintenance and charges for laundry volumes in excess of 15,000,000 pounds.

RELIEF REQUESTED

9. Section 365(d)(4)(A) of title 11 requires a debtor to assume or reject any unexpired leases of non-residential real property within 120 days after the order of relief, or within such additional time as the court, for cause, fixes. The Debtors' time to assume or reject the Renewal Lease under 11 U.S.C. § 365(d)(4)(A) in these cases expires on April 18, 2019.

10. Section 365(d)(4)(B)(i) of the Bankruptcy Code provides that the court may extend the period during which a debtor may elect to assume or reject leases of non-residential real property for an additional 90 days, for cause shown.

11. On March 13, 2019, the Debtors filed a motion seeking, among other things, approval of bidding procedures and authorization to sell substantially all of the Debtors' assets pursuant to section 363 of the Bankruptcy Code and assume and assign certain executory contracts and unexpired leases pursuant to section 365 of the Bankruptcy Code.

12. On March 20, 2019, the Court entered an Order approving bidding procedures and scheduling an auction sale of the Debtors' assets for April 15, 2019. The hearing to approve the sale of substantially all of the Debtors' assets is scheduled for April 17, 2019. The Debtors and their Court-appointed investment banker are currently marketing the assets for sale.

13. When considering whether to grant an extension of time to a debtor to assume or reject an unexpired lease of non-residential real property, the court should consider, among other factors, the following: (1) whether the debtor is paying for the use of the property, (2) whether

continued use by the debtor could damage the lessor beyond the compensation available under the Bankruptcy Code, (3) whether the lease is the debtor's primary asset, and (4) whether the debtor has had sufficient time to formulate a chapter 11 plan. *In re Burger Boys, Inc.*, 94 F.3d 755, 761 (2nd Cir. 1996).

14. The current statutory deadline for the Debtors to assume or reject the Renewal Lease expires on April 18, 2019. As stated above, the auction on the sale of the Debtors' assets is scheduled for April 15, 2019 and the hearing to approve the sale of the Debtors' assets is scheduled for April 17, 2019. The Renewal Lease is integral to the Buffalo operations and will likely be assumed by the successful bidder for the Debtors' assets.

15. If the Debtors are forced to immediately make an assumption or rejection decision with respect to the Renewal Lease, it could jeopardize the asset sale and the administration of their estates.

16. Further, the captioned cases are still in their early stages and the Debtors have not had sufficient time to formulate and file a chapter 11 plan or plans of reorganization. To date, much of the Debtors' time and effort have been directed towards the sale of their respective businesses and negotiations with creditors.

17. Accordingly, the Debtors respectfully submit that cause exists for this Court to extend the time period for the Debtors to assume, assume and assign, or reject the Renewal Lease under section 365(d)(4) of the Bankruptcy Code.

WHEREFORE, debtors Centerstone Linen Services, LLC d/b/a Clarus Linen Systems and Atlas Health Care Linen Services Co., LLC d/b/a Clarus Linen Systems respectfully request that this Court issue an Order pursuant to 11 U.S.C. § 365(d)(4)(B) extending the time within which they may assume or reject the non-residential real property lease with 60 Grider LLC until July 17, 2019, without prejudice to request further extensions for cause shown, and granting such other relief as this Court deems just and proper.

Dated: April 4, 2019
Syracuse, New York

BOND, SCHOENECK & KING, PLLC

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